

Audit finds bovine blue

Council financial reporting slip up

By LOUISE THROWER

DURING drought, Goulburn Mulwaree Council made hay while the sun shone at its farm on the city's outskirts.

Prices and quality were good and the activity raked in a modest income.

But it's not the hay that's attracting auditors' attention; it's the cattle and the apparent non-recording of number fluctuations over at least five years.

Council auditors, Pitcher Partners, seized on the farm accounts during scrutiny of the 2010/11 financial reports. Their report, furnished after a six-month delay, was revealed to councillors at last night's meeting.

It shows that between 2007 and 2010, "farm stock" income was just \$11,245 annually and \$10,995 in 2011, despite Council running up to 200 cattle.

"The non-recognition of fluctuations in the farm stock implies the risk of unrecorded additions (births) and sales, thereby misstating revenue, expenses and the inventory asset," the report stated.

"The non-recording of transactions implies that fraudulent activities may have occurred in relation to this activity."

The auditors said that discussion with management indicated there had been rises and falls in the asset over the five years to 2011 but it did not appear to have been properly accounted for.

But corporate services director Brendan Hollands told the *Post* it



HOW NOW...?: Auditors are asking why Council isn't recording fluctuations in cattle numbers at its farm on the city's outskirts. Cr Neil Penning said members of an audit and review committee were speechless about the omission.

was "more of a mistake than any question of fraud."

"We have spoken to the auditors and said it's such a minor operation that it's basically been forgotten," he said.

"During the drought we had low stock numbers and basically concentrated on the hay."

Auditors argued Council had been undervaluing the stock, and should apply market value. Mr Hollands said Council had been

applying the tax rate value of \$20 a calf and was now discussing the matter with Pitcher Partners.

While returns could easily be tracked through saleyard accounts, births and deaths were harder to prove as it basically relied on an "honesty system," Mr Hollands said.

Nevertheless, he told the *Post* most cattle were kept until they were older and only a few were sold to keep numbers down, usual-

ly to about 200 head.

The auditors recommended Council consider appointing a farm manager, implement regular stock counts and managerial sign off of activities.

Goulburn Mulwaree owns 425 hectares of land stretching from Murrays Flat Rd to Gorman Rd and over behind Kenmore Hospital. It is used primarily to irrigate treated effluent. Mr Hollands said hay-making was the main activity

while cattle were run simply to keep the grass down.

A contractor cuts the hay, sells it and takes a commission. This was all recorded, Mr Hollands said.

It was the first time auditors had picked up on the issue and while management has questioned the "materiality of the claims," it says it has taken them on board.

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